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E.O. 11652: GDS

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SUBJECT: PLANNING TALKS PAPER: NORTH-SOUTH RELATIONS

1. THIS PAPER WAS PREPARED BY A MEMBER OF THE DEPARTMENT OF STATE'S PLANNING STAFF. IT HAS NOT BEEN OFFICIALLY CLEARED WITHIN THE DEPARTMENT. IT REPRESENTS THE VIEWS OF THE AUTHOR.

2. BEGIN TEXT: INTRODUCTION:

3. IN RECENT YEARS THE THIRD WORLD COUNTRIES HAVE BEEN DEMANDING INCREASING ECONOMIC BENEFITS AND OPPORTUNITIES FROM THE INTERNATIONAL SYSTEM AND A GREATER VOICE IN ITS MANAGEMENT. VIRTUALLY NO AREA OF THE POSTWAR ECONOMIC SYSTEM HAS ESCAPED ATTACK FROM THE LESS DEVELOPED COUNTRIES (LDC'S), AND IN SEVERAL CASES THREATS TO THE PRESENT ECONOMIC ORDER -- IN THE FORM OF INTERNATIONAL DEBT DEFAULT OR DISRUPTIVE COMMODITY POLICIES -- HAVE BEEN RAISED BY LDC'S. IN DISCUSSING THE U.S. RESPONSE TO THIS CHALLENGE WE BRIEFLY EXAMINE THE GENERAL CONSIDERATIONS UNDERLYING OUR NORTH-SOUTH POLICIES, THE DEVELOPMENT AND IMPLEMENTATION OF THOSE POLICIES, AND THE MAJOR ISSUES WE SEE ON THE

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HORIZON.

4. GENERAL CONSIDERATIONS

5. THE U.S. RESPONSE TO THIRD WORLD DEMAND IS BASED ON SEVERAL MAJOR CONSIDERATIONS. MOST IMPORTANT, WE BELIEVE THAT GLOBAL STABILITY AND PROGRESS WOULD BE SEVERELY UNDERMINED IN A WORLD CHARACTERIZED BY ECONOMIC FRUSTRATION AND CONFLICT. ECONOMIC DISCONTENT WOULD SPILL OVER INTO POLITICAL AND SECURITY RELATIONS. ALTHOUGH WE WOULD FARE BETTER THAN OTHER COUNTRIES IN THIS UNSTABLE ENVIRONMENT, WE FEEL THAT THERE IS A MUCH BETTER ALTERNATIVE FOR EVERYONE -- AN INTERNATIONAL SYSTEM IN WHICH COUNTRIES' FRUSTRATIONS ARE SUBORDINATED TO A FEELING THAT OPPORTUNITIES FOR ADVANCEMENT DO EXIST AND THAT ASPIRATIONS FOR A BETTER LIFE APPEAR TO BE REALISTIC.

6. SECOND, WE RECGNIZE THAT A GLOBAL DIFFUSION OF ECONOMIC AND POLITICAL POWER IS OCCURRING. THIS TREND MUST BE VIEWED IN CONJUNCTION WITH NATIONAL VULNERABILITIES WHICH RESULT FROM THE CLOSER INTERRELATIONSHIPS OF NATIONAL ECONOMIES. THE FUTURE INTERNATIONAL ECONOMIC SYSTEM WILL THUS BE ONE IN WHICH MANY COUNTRIES, DEVELOPED AND DEVELOPING, MAKE THE RULES, AND IN WHICH MANY HAVE THE CAPACITY TO INFLICT DAMAGE ON OTHERS BY VIOLATING THE RULES. LOOKED AT IN THIS WAY, MUCH OF OUR NORTH-SOUTH POLICY MUST BE SEEN IN THE BROADER CONTEXT OF THE IMPERATIVE OF INCREASED INTERNATIONAL COOPERATION TO REFORM AND MODERNIZE THE INTERNATIONAL ECONOMIC SYSTEM IN ALL AREAS, INCLUDING TRADE, MONETARY AFFAIRS, INVESTMENT ARRANGEMENTS, AND RESOURCE MARKETS.

7. THIRD, WE HAVE VERY TANGIBLE ECONOMIC INTERESTS TO PROTECT AND ADVANCE IN THE THIRD WORLD. IN 1973, FOR EXAMPLE, U.S. PRIVATE CAPITAL FLOWS TO LDC'S AMOUNTED TO 59 OF ALL U.S. CAPITAL FLOWS IN THAT YEAR. IN RECENT YEARS ABOUT 90 OF THE U.S. TRADE SURPLUS CAME FROM TRADE WITH LDC'S. WE ARE IMPORING INCREASING AMOUNTS OF OUR DOMESTIC RAW MATERIALS REQUIREMENTS FROM LDC'S, A TREND WHICH IS EXPECTED TO CONTINUE AS OUR DOMESTIC RESOURCE PRODUCTION INCURS ENVIRONMENTAL PROBLEMS AND BECOMES MORE

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EXPENSIVE. OIL IS, OF COURSE, A SPECIAL CASE AND WE EXPECT TO BE SIGNIFICANTLY DEPENDENT ON THE OPEC COUNTRIES FOR AT LEAST THE NEXT SEVERAL YEARS.

8. FOURTH, WE BELIEVE THAT MORE COOPERATIVE NORTH-SOUTH RELATIONS CAN BE A TWO-WAY STREET WITH BOTH DEVELOPED AND DEVELOPING COUNTRIES DERIVING SIGNIFICANT BENEFIT. FOR EXAMPLE, A MORE STABLE INVESTMENT CLIMATE WILL BENEFIT BOTH

DEVELOPED COUNTRY INVESTORS AND THE LDC ECONOMIES. INDUSTRIAL COUNTRY TECHNICAL ASSISTANCE TO LDC AGRICULTURE CAN

HELP LDC'S BECOME MORE SELF-SUFFICIENT IN FOOD, AND THIS IN TURN CAN RESULT IN GREATER STABILITY IN THE WORLD FOOD MARKET AND ADDED PRICE STABILITY FOR DC CONSUMERS. LDC COMMITMENTS FOR SUPPLY ACCESS CAN BE BALANCED BY DC COMMITMENTS TO MARKET ACCESS. AND WE BELIEVE THAT THERE IS POTENTIAL FOR BENEFITS TO ACCRUE TO ALL PARTIES -- DC'S, OPEC, AND NON-OIL LDC'S -- IN REASONABLE ENERGY PRICING.

9. FIFTH, WE ARE CONSCIOUS OF THE DIVERSITY IN THE THIRD WORLD, DESPITE THE BLOC POSITION THE G-77 HAS SUCCESSFULLY TAKEN IN INTERNATIONAL FORUMS. SOME LDC'S ARE RICH IN NATURAL RESOURCES AND RELY ON EXPORTS OF PRIMARY COMMODITIES FOR MOST OF THEIR FOREIGN EXCHANGE, WHILE OTHERS ARE RESOURCE POOR. SOME HAVE STRONG FOREIGN RESERVE POSITIONS, OTHERS DO NOT. SOME WILL BE RELYING ON FOREIGN ASSISTANCE FOR YEARS TO COME; OTHERS WILL BE ABLE TO PURSUE DEVELOPMENT PLANS WITH ONLY BETTER ACCESS TO DEVELOPED COUNTRY CAPITAL MARKETS AND STEADY FLOWS OF PRIVATE FOREIGN INVESTMENT. WE EXPECT THAT OVER TIME LDC'S WILL PERCEIVE THEIR DIVERSE INTERESTS MORE CLEARLY. THERE HAVE BEEN SOME RECENT INDICATIONS THAT THIS IS OCCURRING, ALTHOUGH IT IS PREMATURE TO WRITE OFF THIRD WORLD SOLIDARITY. IN ANY EVENT WE INTEND TO ADDRESS LDC ISSUES DIFFERENTIALLY, TREATING THE PROBLEMS OF THE MOST DEVELOPED, SUCH AS BRAZIL, DIFFERENT FROM THE POOREST, SUCH AS BANGLADESH. THIS IS WHY WE FREQUENTLY CANNOT ACCEPT PROPOSALS FOR GENERAL SOLUTIONS TO PROBLEMS, SUCH AS DEBT RESCHEDULING. IT IS THE PHILOSOPHY WHICH UNDERLIES OUR PROPOSAL FOR SPECIAL AND DIFFERENTIAL TREATMENT FOR LDC'S IN THE MTN. IT IS ALSO WHY WE FAVOR LIMITING THE ROLE OF UNIVERSAL ORGANIZATION.

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TIONS LIKE THE UNGA IN FORMULATING INTERNATIONAL GUIDELINES AND PREFER TO WORK THROUGH FORUMS LIKE THE CIEC COMMISSIONS WHOSE COMPOSITION REFLECTS TO SOME DEGREE THE HETEROGENEITY OF THE THIRD WORLD.

10. THE DEVELOPMENT AND IMPLEMENTATION OF U.S. POLICIES

11. CURRENT U.S. POLICY TOWARDS THIRD WORLD ISSUES WAS DEVELOPED OVER THE LAST TWO YEARS AS THE SERIOUS ECONOMIC PLIGHT OF THE DEVELOPING WORLD, STEMMING FROM HIGHER FOOD AND ENERGY PRICES AND FROM DECLINING PRICES FOR PRIMARY EXPORTS, BECAME INCREASINGLY APPARENT. SECRETARY KISSINGER'S SEVENTH SPECIAL SESSION SPEECH REPRESENTED A MAJOR EFFORT WITHIN THE USG TO PULL TOGETHER THE POLICIES THAT WERE BEING DEVELOPED IN VARIOUS AGENCIES, TO MAKE A

COMPREHENSIVE RESPONSE TO THIRD WORLD DEMANDS, AND TO GENERATE INTERNATIONAL MOMENTUM BEHIND A PRAGMATIC PROGRAM OF ECONOMIC COOPERATION BETWEEN DC'S AND LDC'S. OVER FORTY INITIATIVES WERE ANNOUNCED IN A FRAMEWORK OF FIVE

CATEGORIES -- INSURING ECONOMIC SECURITY, ACCELERATING ECONOMIC GROWTH, EXPANDING OPPORTUNITIES FOR TRADE, IMPROVING COMMODITY MARKETS, AND HELPING THE VERY POOREST COUNTRIES.

12. SINCE SEPTEMBER WE HAVE MADE A MAJOR EFFORT TO IMPLEMENT THESE PROPOSALS IN A VARIETY OF INTERNATIONAL FORUMS. ON THE WHOLE OUR EFFORTS HAVE BEEN ENCOURAGING. FOR EXAMPLE:

-- CONCERNING FINANCE THE JAMAICA IMF MEETING RESULTED IN AGREEMENT ON AN EXPANDED COMPENSATING FINANCING FACILITY, THE ESTABLISHMENT OF A TRUST FUND FOR LDC'S, AND AN INCREASE IN CREDIT AVAILABILITY.

-- IN THE TRADE AREA, OUR GENERALIZED SYSTEM OF PREFERENCES WENT INTO OPERATION ON JANUARY 1. WE ARE CURRENTLY PREPARING A TARIFF REDUCTION OFFER ON TROPICAL PRODUCTS FOR TABLING IN THE MTN ON MARCH 1. SPECIAL AND DIFFERENTIAL TREATMENT FOR LDC'S WILL BE CONSIDERED BY THE MTN GROUPS IN THE FEBRUARY-MARCH ROUND OF MEETINGS.
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-- IN COMMODITIES WE WILL SIGN THE NEW TIN AGREEMENT AND SUBMIT IT TO THE SENATE FOR ADVICE AND CONSENT. WE ARE REVIEWING THE NEW AND MUCH IMPROVED INTERNATIONAL COFFEE AGREEMENT AND A RECOMMENDATION FOR THE PRESIDENT IS BEING PREPARED. WHILE WE CANNOT SIGN THE EXISTING COCOA AGREEMENT, WE ARE PREPARED TO RENEGOTIATE CERTAIN PROVISIONS IN ACCORDANCE WITH THE SUGGESTIONS WE HAVE OFFERED. THE WORLD BANK IS COMPLETING ITS STUDY OF OUR PROPOSAL THAT THE BANK, ESPECIALLY THE IFC, TAKE THE LEAD IN ENCOURAGING NEW MINERALS DEVELOPMENT.

-- REGARDING INTERNATIONAL FINANCIAL INSTITUTIONS, WE HOPE TO SUBMIT LEGISLATION SOON ON REPLENISHMENT OF IFC RESOURCES. CONGRESS IS CONSIDERING OUR REQUEST FOR REPLENISHMENT OF INTER-AMERICAN DEVELOPMENT BANK AND OUR CONTRIBUTION TO THE AFRICAN DEVELOPMENT FUND. WE WILL BE CONSULTING WITH THE CONGRESS ON REPLENISHMENT OF THE ASIAN DEVELOPMENT FUND SHORTLY.

13. FUTURE ISSUES OF MAJOR CONCERN

14. TO BE SURE, THE IMPLEMENTATION OF OUR UN PROPOSALS IS FAR FROM COMPLETE. IN THE MONTHS AHEAD WE WILL BE PURSUING THOSE INITIATIVES AND OTHERS IN THE NEWLY FORMED COMMISSIONS OF THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC), THE FOURTH MEETING OF UNCTAD THIS SPRING, THE MTN'S, AND THE IMF AND WORLD BANK. WE WILL BE PARTICULARLY CONCERNED WITH THE FOLLOWING ISSUES:

15. WE WILL NEED TO CONTINUALLY REASSESS THE ECONOMIC CONDITIONS IN THE LDC'S OVER THE NEXT FEW YEARS. ONE MAJOR CONCERN WILL BE THE EXTENT TO WHICH EXISTING FINANCING ARRANGEMENTS WILL NOT COVER LDC PAYMENTS DEFICITS. OUR CURRENT CALCULATION FOR THE NEXT YEAR IS THAT RECENT DECISIONS REACHED IN JAMAICA WILL MAKE AVAILABLE SUFFICIENT FUNDS TO ALLOW MOST LDC'S TO FINANCE THEIR BALANCE OF PAYMENTS DEFICITS INCLUDING MEETING THEIR DEBT OBLIGATIONS. OVER THE LONGER RUN, HOWEVER, SEVERAL LDC'S WILL FIND IT DIFFICULT TO SUSTAIN GROWTH AND DEVELOPMENT RATES DUE TO MOUNTING DEBT BURDENS. IN EFFECT THE SHORT RUN SOLUTIONS TO LDC DEBT AND BALANCE OF PAYMENTS DIFFICULTIES WILL

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LIKELY BE PART OF THE LONGER TERM PROBLEM OF LDC FINANCING FOR DEVELOPMENT. WE WILL NEED TO DEVISE NEW POLICIES FOR THIS CHANGING SITUATION.

16. SECOND, WE WILL CONTINUE TO WORK FOR MORE REASONABLE OPEC PRICING POLICIES AND FOR MORE EXTENSIVE OPEC PARTICIPATION IN DEVELOPMENT FINANCING. OUR EFFORTS HERE WILL BE FOCUSED IN THE CIEC ENERGY COMMISSION. WE WANT TO DEMONSTRATE THAT CURRENT OIL PRICES ARE AT THE HEART OF THE LDC ECONOMIC PLIGHT AND THAT LOWER PRICES WOULD BE IN THE INTEREST OF DC'S, OIL-IMPORTING LDC'S, AND OPEC ITSELF. WE ALSO BELIEVE THAT OPEC SHOULD PLAY A LARGER ROLE IN FOREIGN AID, CONSISTENT WITH ITS NEWLY ACQUIRED WEALTH. A THIRD OBJECTIVE IN THE ENERGY COMMISSION WILL BE TO INCREASE OPEC AWARENESS THAT ITS ECONOMIC FUTURE WILL BE STRONGLY INFLUENCED BY THE HEALTH OF THE INTERNATIONAL ECONOMY, AND THAT ITS RESPONSIBLE PARTICIPATION IN ALL INTERNATIONAL ACTIVITIES FROM TRADE TO FOOD AID IS IN ITS OWN INTEREST.

17. THIRD, WE EXPECT TO CONFRONT LDC DEMANDS FOR GENERALIZED DEBT MORATORIA OR FOR WIDESPREAD DEBT RELIEF IN UNCTAD AND IN CIEC, AND WE WILL CONTINUE TO OPPOSE THIS BECAUSE (A) WE REGARD DEBT RELIEF AS AN EXCEPTIONAL MEASURE, TO BE USED ONLY WHEN A SEVERE LIQUIDITY CRISIS OCCURS; (B) WE BELIEVE THAT DEBT RELIEF SHOULD NOT BE USED AS A NORMAL MECHANISM FOR PROVIDING DEVELOPMENT ASSISTANCE; (C) DEBT SITUATIONS VARY GREATLY AMONG LDC'S AND NO GENERAL SOLUTION IS FEASIBLE OR APPROPRIATE; AND (D)

GENERALIZED DEBT FORGIVENESS WOULD AMOUNT TO DISCRIMINATING AGAINST THOSE LDC'S THAT IMPOSE SOME FINANCIAL DISCIPLINE ON THEMSELVES. BECAUSE THE EXPANSION OF IMF CREDIT TRANCHES, THE CREATION OF THE TRUST FUND, AND THE INCREASED CAPACITY OF THE COMPENSATORY FINANCING FACILITY GIVE MOST LDC'S THE OPPORTUNITY TO MEET THEIR DEBT OBLIGATIONS, WE BELIEVE WE HAVE A STRONG POSITION AGAINST GENERALIZED DEBT RESCHEDULING AS LONG AS THE DEBATE ON DEBT RELIEF AND

BALANCE OF PAYMENTS FINANCING PROBLEMS OCCURS AT THE SAME TIME. THERE WILL OF COURSE BE SOME INDIVIDUAL COUNTRIES IN NEED OF SPECIAL ASSISTANCE AND WE WILL BE PREPARED TO
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DEAL PRAGMATICALLY WITH THEIR SITUATIONS ON A CASE-BY-CASE BASIS. IN GENERAL, HOWEVER, WHERE ADDITIONAL FINANCING IS NECESSARY OUR EFFORTS WILL BE DEVOTED TO EXPANDING LDC ACCESS TO ADDITIONAL LIQUIDITY SUCH AS DEVELOPED COUNTRY CAPITAL MARKETS.

18. FOURTH, ON COMMODITIES, WE EXPECT SOME VERY DIFFICULT ISSUES TO ARISE BOTH IN THE CIEC RAW MATERIALS COMMISSION AND IN UNCTAD. WE FEEL THAT THE KEY TO ANY FORWARD MOVEMENT IN THIS AREA WILL BE OUR ABILITY TO RESPOND TO THE INTEGRATED COMMODITY PROGRAM, WHICH ENTAILS A SERIES OF BUFFER STOCKS FINANCED BY A COMMON FUND. WE CURRENTLY OPPOSE THE COMMON FUND CONCEPT. WE WOULD PREFER TO FIRST DETERMINE THE NEED FOR BUFFER STOCKS ON A CASE-BY-CASE BASIS AND THEN DISCUSS FINANCING ARRANGEMENTS AS THEY SPECIFICALLY RELATE TO EACH STOCK. NEVERTHELESS, WE WILL ATTEMPT TO DEMONSTRATE SOME FLEXIBILITY IN THIS AREA, AND WILL BE EXAMINING THE FUTURE ROLE OF EXISTING FINANCIAL INSTITUTIONS IN BUFFER STOCK FINANCING. WE WILL ALSO INSIST THAT ANY COMMODITY PROGRAM CONTAIN MUCH CLEARER SUPPLY ACCESS PROVISIONS THAN THE INTEGRATED PROGRAM CURRENTLY OFFERS. IT IS IMPORTANT THAT WE ACHIEVE AGREEMENT AMONG DEVELOPED COUNTRIES AS TO WHAT TYPE OF SUPPLY ACCESS PROVISIONS ARE DESIRABLE. AT THE LAST UNCTAD MEETING DEVELOPED COUNTRIES WERE DEEPLY DIVIDED ON THIS ISSUE.

19. FIFTH, WE HAVE EXPRESSED OUR WILLINGNESS TO SUPPORT THE WORK OF THE UN COMMISSION ON MULTINATIONAL CORPORATIONS, AND WE HAVE AGREED TO DISCUSS INVESTMENT ISSUES WITHIN THE OAS. IN BOTH CASES, WE ARE PREPARED TO NEGOTIATE GUIDELINES RELATING TO TRANSNATIONAL ENTERPRISES, WHICH ARE NON-BINDING, DO NOT DISCRIMINATE AGAINST TNES AS COMPARED TO PURELY NATIONAL ENTERPRISES, ARE BALANCED TO INCLUDE REFERENCE TO THE RESPONSIBILITIES OF GOVERNMENTS AS WELL AS TNES, AND ARE APPLICABLE TO ALL

ENTERPRISES, REGARDLESS OF WHETHER THEIR OWNERSHIP IS PRIVATE, GOVERNMENT, OR MIXED. WE HOPE THAT THE OAS AND UN EXERCISES CAN PROCEED AS REASONABLY AS THE CURRENT OECD EXERCISE, BUT AT THIS POINT WE ARE UNCERTAIN AS TO THE DIRECTIONS THEY WILL TAKE.

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20. SIXTH, WE EXPECT THAT AT UNCTAD IV THE SUBJECT OF A CODE FOR THE TRANSFER OF TECHNOLOGY WILL BE A MAJOR ISSUE. THE DEVELOPED COUNTRIES HAVE SEVERAL MAJOR DIFFERENCES WITH THE G-77 ON THIS CODE. FOR EXAMPLE, THE LDCS INSIST ON A LEGALLY BINDING CODE AND WE CAN ACCEPT ONLY VOLUNTARY GUIDELINES. THEY PROPOSE MUCH MORE EXTENSIVE GOVERNMENT INVOLVEMENT IN THE TECHNOLOGY AREA THAN WE FEEL NECESSARY. THEY WOULD LIKE TO REVAMP THE PATENT SYSTEM, AND WE SEE NO NEED TO DO SO. WE HOPE TO BE ABLE TO MAKE SOME COMPROMISES IN THIS AREA, BUT WE SEE THIS EXERCISE TAKING SEVERAL YEARS TO COMPLETE.

21. SEVENTH, WE ARE EXTREMELY CONCERNED WITH THE WORLD FOOD SITUATION AND THE SUCCESSFUL FOLLOW-UP TO THE WORLD FOOD CONFERENCE. ON SEVERAL OCCASIONS SECRETARY KISSINGER HAS MADE CLEAR HIS VIEW THAT NO ISSUE IS MORE VITAL TO A PROSPEROUS, HUMANE, JUST AND COOPERATIVE WORLD. THE US HAS PUSHED HARD FOR THE ESTABLISHMENT OF THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) AND EXPECTS RESOLUTION OF THE FEW OPEN ISSUES ON THE ARTICLES OF AGREEMENT SHORTLY. CONGRESS HAS AUTHORIZED A \$200 MILLION DONATION TO IFAD PROVIDED COMMITMENTS TOTAL AT LEAST \$1 BILLION. IN FOOD AID WE HAVE PLEDGED 60 OF THE 10 MILLION TON TARGET SET IN ROME. ON GRAIN RESERVES WE HAVE MADE OUR PROPOSAL IN LONDON AND BELIEVE IT DESERVES SUPPORT FROM ALL DEVELOPED COUNTRIES.

22. EIGHTH, WE WILL BE DEVOTING INCREASING ATTENTION TO BOTH HUMANITARIAN AND DEVELOPMENT ASSISTANCE TO THE POOREST COUNTRIES. IN RECENT YEARS, OUR CONGRESS IN PARTICULAR HAS DELIVERED A STRONG MANDATE TO REFOCUS OUR OFFICIAL

ASSISTANCE, FINANCIAL AND TECHNICAL, TOWARDS THE RURAL POOR. THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) IS CURRENTLY WORKING ON A VARIETY OF PLANS TO IMPLEMENT THIS NEW MANDATE.

23. FINALLY, THERE ARE SEVERAL INSTITUTIONAL QUESTIONS WHICH NEED ATTENTION IN THE COMING MONTHS. FOREMOST IS THE ROLE OF THE CIEC COMMISSIONS VERSUS UNCTAD. WE PREFER
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THE CIEC MECHANISM TO UNCTAD BECAUSE OF ITS LIMITED MEMBERSHIP, GREATER DEVELOPED COUNTRY LEVERAGE, AND BECAUSE IT SHOULD BE EASIER TO HOLD OPEC'S FEET TO THE FIRE IN CIEC. HOWEVER, WE ARE CONSCIOUS OF THE LDC'S SPECIAL ATTACHMENT TO UNCTAD, AND THE POLITICAL PROBLEMS WHICH ARISE IF WE ATTEMPT TO BYPASS THIS ORGANIZATION. OUR PREFERENCE WOULD BE TO HAVE AS MUCH IMPORTANT WORK AS POSSIBLE DONE OUTSIDE THE UNCTAD FRAMEWORK, IN THE MTN, IFM, WORLD BANK, AND CIEC, ALTHOUGH THE LATTER IS STILL AN EXPERIMENT AND UNTESTED. WE EXPECT THAT THE LDCS MAY ATTEMPT TO PLAY UNCTAD AND CIEC AS ONE, USING THE FIRST PHASE OF CIEC TO BUILD MOMENTUM FOR UNCTAD IV, THEN USING UNCTAD IV IN MAY AS A HIGH PLATFORM TO FASHION A NEW AGENDA FOR THE SECOND SIX MONTHS OF THE CIEC. WE ARE ATTEMPTING TO DEVISE A STRATEGY FOR MANAGING ISSUES IN LIGHT OF BOTH FORUMS AS WELL AS THE ONGOING MTNS. A LONGER TERM QUESTION IS THE FUTURE ROLE OF THE IMF IN THE DEVELOPMENT AREA.

24. CONCLUSION

25. SINCE THE SEVENTH SPECIAL SESSION WE BELIEVE WE HAVE MADE A COMPREHENSIVE RESPONSE TO LDC DEMANDS, ESPECIALLY IN VIEW OF UNFAVORABLE DOMESTIC ECONOMIC CONDITIONS. WHILE THE PROCESS OF AFFORDING LDCS MORE OPPORTUNITIES FROM THE INTERNATIONAL ECONOMIC SYSTEM SHOULD BE A CONTINUOUS ONE, WE REALIZE THAT THE PROCESS WILL CONTINUE TO BE A POLITICALLY DIFFICULT ONE, BOTH DOMESTICALLY AND INTERNATIONALLY. THE SUCCESS OF OUR EFFORTS DEPENDS IN GREAT PART ON THE GRADUAL EROSION OF THE LDC-OPEC BLOC, WHICH FREQUENTLY PRESENTS A COMMON DENOMINATOR APPROACH TO ISSUES WE CANNOT ACCEPT. ALTHOUGH THERE HAVE BEEN SOME OBSERVABLE STRAINS IN THIS GROUPING, THE BLOC STILL APPEARS TO BE HOLDING. ALSO, FROM NOW ON, NEW PROPOSALS WILL BE MORE DIFFICULT FOR US TO MAKE BECAUSE THEY WILL INVOLVE CONGRESSIONAL APPROPRIATIONS AND ENTAIL MORE INVOLVEMENT BY THE US PRIVATE SECTOR. FINALLY, WE ARE CONCERNED THAT AS THE NORTH-SOUTH DIALOGUE CONTINUES, THE INDUSTRIAL COUNTRIES CONTINUE TO COORDINATE POLICIES CAREFULLY AND DO NOT SUCCUMB TO THE TEMPTATION TO MAKE PROPOSALS THAT ARE UNACCEPTABLE TO THE OECD GROUP. SUCH

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BEHAVIOR COULD BE VERY DAMAGING TO ALLIED RELATIONS GENERALLY AS WELL AS FURTHER COMPLICATING THE CHALLENGE OF

NORTH-SOUTH RELATIONS. KISSINGER

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